

**American Chamber of Commerce in Spain
Business Roundtable
CompTIA
Financial Executives International
Information Technology Industry Council
National Association of Manufacturers
National Foreign Trade Council
Organization for International Investment
Semiconductor Industry Association
Silicon Valley Tax Directors Group
Software Finance & Tax Executives Council
Swiss-American Chamber of Commerce
U.S. Chamber of Commerce
United States Council for International Business**

July 8, 2019

United States Senate
483 Russell Senate Office Building
Washington, DC 20510-0609

Dear Senator,

The bilateral income tax protocols pending before the Senate are important for U.S. economic growth and trade and tax policy. We ask for your support for these tax treaty protocols and expeditious action on them by the United States Senate.

Many of these agreements were signed by the U.S. Department of Treasury several years ago. The protracted period of ratification could signal, inadvertently, that the U.S. does not value the benefits of tax treaties and that the expansion, improvement and modernization of the U.S. bilateral tax treaty network is not a priority. Given the unilateral actions many foreign governments are considering as a consequence of issues raised in the OECD Base Erosion and Profit Shifting process, this sends the wrong signal at the wrong time.

For more than 80 years, income tax treaties played a critical role in fostering U.S. bilateral trade and investment, protecting U.S. businesses, large and small, from double taxation of the income they earn from selling goods and services in foreign markets. Tax treaties do so primarily by reducing foreign withholding taxes and otherwise restricting the ability of the foreign treaty partner to tax the income of U.S. taxpayers. On a reciprocal basis, tax treaties reduce U.S.

withholding taxes thus encouraging foreign investment in the U.S. Where both countries have the right to tax an item of income under a treaty, the treaty avoids double taxation by requiring that one of the countries allow a credit for the other country's tax (or to exempt the income from its own tax). Tax treaties help the U.S. economy by allowing U.S. companies more efficient conduct of their businesses abroad and by making the U.S. more hospitable to foreign investment, creating and sustaining millions of American jobs.

In addition, tax treaties contain administrative procedures for U.S. taxpayers, treaty-partner taxpayers, and the U.S. and foreign taxing authorities themselves for the resolution of disagreements and assistance in the enforcement of the two countries' tax laws. In these and other ways, the U.S. network of over 60 bilateral income tax treaties plays a significant role in advancing the economic interests of the United States in the global economy:

- The pending bilateral protocols contain pro-investment, pro-trade, and pro-job creation measures and help coordinate tax administration with our treaty partners.
- The Swiss and Luxembourg treaty protocols, both signed in 2009, would, among other measures, update our information exchange provisions with those countries overriding their bank secrecy laws. The Swiss Protocol, in particular would enable the collection of U.S. tax revenues from hidden offshore accounts of U.S. tax evaders, while specifically protecting against "fishing expeditions" by either country. The Swiss Protocol has been ratified by Switzerland, and its approval is essential for resolving hundreds of long-running U.S. tax investigations. The Swiss treaty also provides for mandatory binding arbitration.
- The proposed treaty with Spain updates the tax treaty signed in 1990. The Spanish Protocol lowers the withholding rates for dividends, interest, and royalties. The Spanish Protocol provides for mandatory arbitration of certain cases that cannot be resolved by the competent authorities within a specified period.
- The Japanese treaty protocol was signed in 2013 and lowers the withholding rate on interest and dividends. The Japanese Protocol provides for resolution, through mandatory binding arbitration, of certain cases that revenue authorities of the United States and Japan have been unable to resolve after a reasonable period of time.

The Senate routinely approves treaties and protocols such as these by unanimous consent. These treaties promote good business and financial decisions based on free-market principles rather than government influence. They incorporate reforms that foster robust economic growth and build on long-term investment partnerships between the U.S. and our tax treaty partners. Their contents are the product of years of dialogue among Senate Foreign Relations Committee Members, the Joint Committee on Taxation, the Executive Branch, and interested stakeholders in the U.S. and abroad.

The bilateral tax treaty protocols before the Senate include provisions repeatedly approved by the

Senate. The tax treaties and protocols were reported out of the Senate Foreign Relations Committee without amendment on June 25.

The Senate Foreign Relations Committee should continue working on reporting favorably the remaining pending tax treaties.

We encourage prompt consideration and approval of these pending protocols by the United States Senate.

Sincerely,

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